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DE RUEHKT #1722/01 1811035
ZNY CCCCC ZZH
O 301035Z JUN 06
FM AMEMBASSY KATHMANDU
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2150
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 4537
RUEHLM/AMEMBASSY COLOMBO PRIORITY 4792
RUEHKA/AMEMBASSY DHAKA PRIORITY 9906
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2779
RUEHLO/AMEMBASSY LONDON PRIORITY 4189
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RUEHBS/USEU BRUSSELS PRIORITY
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C O N F I D E N T I A L KATHMANDU 001722

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E.O. 12958: DECL: 06/30/2016
TAGS: [PGOV](#) [PTER](#) [EAID](#) [NP](#)
SUBJECT: EU PRESENTS REASSURING STANCE ON AID

REF: KATHMANDU 1678

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

SUMMARY

¶1. (C) In a June 29 meeting, Eduardo Lechuga Jimenez, Acting Head of the Delegation of the European Commission to Nepal, told the Ambassador that the EU wanted to help the people of Nepal but not finance the Maoist insurgency. Jimenez, clarifying the EU's position (reftel), said that the EU would reconsider providing aid to the country if the Maoists joined the government without disarming. The EU's stance was reassuring. End summary.

EU CONSIDERING AID FOR 2007-2013...

¶2. (C) Jimenez told the Ambassador and Pol/Econoff that the EU was deliberating how much aid to allocate to Nepal in its budget for 2007-2013. The Government of Nepal (GON) was interested in reconstruction and rehabilitation aid in addition to what the EU was considering for the education sector. Jimenez said that EU aid was flexible and resources could be diverted from other projects if necessary; however, the deciding factor would be whether Nepal's political situation continued to improve. As for current funding, Jimenez informed us that the EU would support a democratic government in Nepal by reinitiating all projects frozen in the pipeline, including training for government institutions.

...BUT WARY OF MAOISTS

¶3. (C) The EU wanted to assist development, but it was unwilling to finance the Maoists if they refused to give up violence and would reconsider providing aid if the Maoists entered the government under current circumstances. Jimenez pointed out that Finance Minister Ram Saran Mahat would have a hard time negotiating with the Maoists on how the GON budget should be allocated; the Maoists could use the money they gained for good, to campaign for elections, or for ill, to recruit cadre and replenish their weapons supply. Jimenez noted that UN-funded projects in Maoist-dominated areas were benefiting the Maoists. He said that the EU was hesitant to

provide assistance in those areas where Maoists would be the primary beneficiaries.

AMBASSADOR ENCOURAGED BY EU APPROACH

14. (C) The Ambassador expressed support for the EU's gameplan and remarked that a credible peace agreement between the GON and the Maoists would cause donors to flock to the country. He encouraged the EU to emphasize to the GON that donor aid depended on a solution to the Maoist issue that would eliminate fear in the population. The Ambassador reminded Jimenez that the Maoists had a disciplined leadership that should not be taken for granted. He stressed that Chairman Prachanda needed to be held accountable for advocating an authoritarian one-party state through his call for an "October Revolution" (a reference to the 1917 Russian revolution rather than proposed agitation during the month of October). He also cautioned that the Maoists would dominate the government within six to twelve months if they entered with their weapons.

COMMENT

15. (C) Jimenez confirmed that, contrary to recent press reports, the EU will not treat armed Maoists as equal to the current government. Instead the EC Delegation will continue to urge the Maoists to join the mainstream legitimately. While contradicting earlier EU staff indications of willingness to work with the Maoists (reftel), the Delegation's overall message--that the EU would search for other avenues to help the Nepali people should armed Maoists join the government--was clear and encouraging.

MORIARTY